



18005361

SEC MAIL PROCESSING
Received
MAR 01 2018
WASH, D.C.

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	March 31, 2018
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8- 41204

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/17 AND ENDING 12/31/17
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **STURDIVANT & CO., INC.**

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

3000 Atrium Way, Suite 520

(No. and Street)

Mt. Laurel

(City)

New Jersey

(State)

08054

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Harvey de Krafft

(856) 751-1331

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

EisnerAmper LLP

(Name - if individual, state last, first, middle name)

One Logan Square, 130 N. 18th St., Ste. 3000

(Address)

Philadelphia

(City)

PA

(State)

19103

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Eisner

OATH OR AFFIRMATION

I, Harvey de Krafft, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sturdivant & Co., Inc., as of December 31, 20 17, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Terry A Dorsey-Williams

Notary Public

New Jersey

My Commission Expires 7-12-21

Notary Public

Signature

Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

- ☐ (o) Report of Independent Registered Public Accounting Firm on Management's Exemption Report for Year Ended December 31, 2017.
- ☐ (p) Reconciliation of computation of net capital under Rule 17a-5(d) (4) of the SEC.

STURDIVANT & CO., INC.

Contents

Page

Report of Independent Registered Public Accounting Firm

1

Financial Statements

Statement of financial condition as of December 31, 2017

2

Notes to financial statement

3

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and the Stockholder of
Sturdivant & Co., Inc.

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Sturdivant & Co., Inc. (the "Company") as of December 31, 2017 and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

EisnerAmper LLP

We have served as the Company's auditor since 2010. Partners of Goldenberg, Rosenthal, LLP joined Amper, Politziner and Mattia, LLP in 2008, which then joined EisnerAmper LLP in 2010. Goldenberg, Rosenthal, LLP had served as the Company's auditor since 2007.

EISNERAMPER LLP
Philadelphia, Pennsylvania
February 27, 2018

STURDIVANT & CO., INC.

**Statement of Financial Condition
December 31, 2017**

ASSETS

Cash	\$	2,633
Clearing deposit		150,975
Receivables from clearing broker		59,395
Receivables from an affiliate		12,100
Prepaid expenses and other assets		11,689
Loans receivable from parent company		156,598
Property and equipment, net of accumulated depreciation		<u>11,139</u>

TOTAL ASSETS	\$	<u>404,529</u>
---------------------	-----------	-----------------------

LIABILITIES

Accounts payable and accrued expenses	\$	<u>55,761</u>
---------------------------------------	----	---------------

Total liabilities		<u>55,761</u>
-------------------	--	---------------

Commitments and contingencies

STOCKHOLDER'S EQUITY

Common stock, no par value:

Authorized	1,000 shares	
Issued	594.22 shares	
Outstanding	534.86 shares	99,361

Additional paid-in capital	2,770,877
----------------------------	-----------

Deficit	<u>(871,470)</u>
---------	------------------

	1,998,768
Less treasury stock, at cost	<u>(1,650,000)</u>

Total stockholder's equity	<u>348,768</u>
----------------------------	----------------

\$	<u>404,529</u>
-----------	-----------------------

Notes to Financial Statement
December 31, 2017

NOTE A - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization and business:

Sturdivant & Co., Inc. (the "Company") is a registered broker/dealer clearing all of its customer transactions through correspondent brokers on a fully disclosed basis. In addition, the Company operates under the provisions of Paragraphs (k)(2)(i) and (k)(2)(ii) of Rule 15c3-3 of the Securities and Exchange Commission ("SEC") and, accordingly, is exempt from the remaining provisions of that rule. The Company has offices located in Mt. Laurel, New Jersey, Baltimore, Maryland and Chicago, Illinois.

The Company is a wholly-owned subsidiary of S&D Financial Holdings, LLC ("S&D"). S&D is owned by three partners. Two of those three are officers of the Company and the third is a LLC owned by certain of the Company's officers and employees.

[2] Basis of presentation:

The Company's financial statement is prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

[3] Receivables and related party transaction:

Receivables from clearing broker represents the net commissions receivable earned as an introducing broker for the Company's customers' transactions. As of December 31, 2017, this receivable is due from one clearing broker.

The Company provided management services during the year ended December 31, 2017 to an affiliate. Receivables from an affiliate on the accompanying statement of financial condition include \$12,100 from the affiliate as of December 31, 2017.

[4] Property and equipment:

Property and equipment is stated at cost net of accumulated depreciation. Significant additions or improvements extending the asset lives are capitalized; normal maintenance and repair costs are expensed as incurred. The Company provides for depreciation as follows:

<u>Asset</u>	<u>Estimated Useful Life</u>	<u>Method</u>
Furniture and fixtures	5 Years	Straight - Line Method
Computer equipment	5 Years	Straight - Line Method

[5] Revenue recognition:

Commissions and clearing expenses are recorded on a trade-date basis as securities transactions occur. Management service fees are recorded as earned based on contractual arrangements. Research income is recognized as earned based on contractual agreements.

NOTE A - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Use of estimates:

The preparation of the financial statement in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

[7] Income taxes:

The Company is a corporation under the Internal Revenue Code. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

U.S. GAAP requires companies to account for income taxes by prescribing a minimum probability threshold that an uncertain tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Management believes that there are no uncertain tax positions. The Company recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of the income tax provision.

[8] Treasury stock:

Treasury stock is accounted for under the cost method. Under the cost method, the gross cost of the shares reacquired is charged to treasury stock in the statement of financial condition.

[9] New accounting pronouncements;

In August 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 Revenue from Contracts with Customers for all entities by one year. This update is effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods. Earlier application was permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. ASU 2014-09 was to become effective for us beginning January 2017; however, ASU 2015-14 deferred our effective date until January 2018, which is when we plan to adopt this standard. The ASU permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required for customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. We have completed the process of evaluating the effect of the

**Notes to Financial Statement
December 31, 2017**

NOTE A - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

adoption and determined there were no changes required to our reported revenues as a result of the adoption. Substantially all of our revenue arrangements consist of a single performance obligation to execute securities trades on behalf of our customers. Based on our evaluation process and review of our arrangements with customers, the timing and amount of revenue recognized based on ASU 2015-14 is consistent with our revenue recognition policy under previous guidance. We adopted the new standard effective January 1, 2018, using the modified retrospective approach, and will expand our financial statement disclosures in order to comply with the ASU. We have determined the adoption of ASU 2015-14 will not have a material impact on our financial position.

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 is as follows:

Furniture and fixtures	\$86,848
Computer equipment	<u>70,082</u>
	156,930
Less accumulated depreciation	<u>145,791</u>
	<u>\$11,139</u>

NOTE C - COMMITMENTS AND CONTINGENCIES AND RELATED PARTY TRANSACTIONS

The Company has a clearance agreement with one clearing broker. Pursuant to the agreement, the Company is required to maintain a minimum net capital of \$50,000. The Company has a clearing deposit of \$150,975 with this broker as of December 31, 2017 pursuant to the agreement.

In the normal course of business, the Company enters into underwriting commitments. As of December 31, 2017, there were no open underwriting commitments.

The Company's operations are headquartered in Mt. Laurel, New Jersey. The Company has a shared space and services agreement with its parent company, S&D. This agreement expires on December 31, 2018 with two, one year renewal options.

The Company maintains an office in Baltimore, Maryland and has entered into a month-to-month lease agreement for that space.

The Company maintains an office in Chicago, Illinois and has entered into a month-to-month lease agreement for that space.

NOTE D - ADDITIONAL DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS (INCLUDING FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE)

Certain financial instruments that are not carried at fair value on the Statement of Financial Condition are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy provides for prioritizing inputs to valuation techniques used to measure fair value into three levels:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

STURDIVANT & CO., INC.

**Notes to Financial Statement
December 31, 2017**

Level 2 - Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Fund.

Level 3 - Unobservable inputs that reflect the assumptions that management develops based on available information about what market participants would use in valuing the asset or liability. An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Management uses judgment in determining fair value of assets and liabilities and Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

U.S. GAAP requires disclosure of the estimated fair value of certain financial instruments, and the methods and significant assumptions used to estimate their fair values. Certain financial instruments that are not carried at fair value on the Statement of Financial Condition are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. These instruments include cash, short-term receivables, prepaid expenses, borrowings, accounts payable and accrued liabilities.

The following table presents the carrying values and estimated fair values at December 31, 2017, of financial assets and liabilities, excluding financial instruments that are carried at fair value on a recurring basis, and information is provided on their classification within the fair value hierarchy.

ASSETS	<u>CARRYING</u> <u>VALUE</u>	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u> <u>ESTIMATED</u> <u>FAIR VALUE</u>
Cash	\$ 2,633	\$ 2,633	\$ -	\$ -	\$ 2,633
Deposits with clearing organizations	150,975	150,975	-	-	150,975
Receivables from an affiliate	12,100	-	12,100	-	12,100
Receivable from broker-dealers and clearing organizations	59,395	-	59,395	-	59,395
Loan receivable from parent company	156,598	-	-	156,598	156,598
Prepaid and other assets	11,689	-	11,689	-	11,689
TOTALS	\$ 393,391	\$ 153,608	\$ 83,185	\$ 156,598	\$ 393,391

LIABILITIES					
Accounts payable, accrued expenses, and other liabilities	\$ 55,761	\$ -	\$ 55,761	\$ -	\$ 55,761
TOTALS	\$ 55,761	\$ -	\$ 55,761	\$ -	\$ 55,761

The following provides information on the valuation techniques and nature of significant unobservable inputs used by the Company to determine the value of Level 3 assets and liabilities. The inputs are not indicative of the unobservable inputs that may have been used for an individual asset or liability.

Investments	Fair Value December 31, 2017	Valuation Techniques	Unobservable Inputs	(Weighted Average) of Inputs
Note receivable from parent company	\$ 156,598	Discounted cash flows	Discount rate Expected recovery	1% 100%

STURDIVANT & CO., INC.

Notes to Financial Statement December 31, 2017

Management is responsible for valuation policies and procedures and determining the fair value of investments. Management has procedures in place to determine the fair value of the Company's Level 3 investments. Such procedures are designed to assure that the applicable valuation approach is appropriate and that values included in these financial statements are based on observable inputs when possible or that unobservable valuation inputs are reasonable.

Valuation methodologies, including models, used for valuing Level 3 investments may include extrapolation and use observable inputs. The selection of applicable comparable inputs involves significant judgment, including qualitative and quantitative analysis of comparability. To the extent possible, executed transactions are used for determining the fair value of Level 3 investments.

Such valuation measurements are based on the value indicated by current expectations about future events and amounts. Significant judgment for factors such as transaction or company size, control, marketability and relative performance is involved in determining and applying discounts or premiums.

Weighted average of inputs represent the range and weighted average of significant inputs used in determining the fair value as points, percentages, basis points or multiple.

The following summarizes changes in fair value of the Company's Level 3 assets for the year ended December 31, 2017:

Balance - January 1, 2017	\$153,988
Additional loans to parent company	13,147
Principal repayments by parent company	<u>(10,537)</u>
Balance - December 31, 2017	<u>\$156,598</u>

There were no transfers between level one, two or three during the year ended December 31, 2017.

NOTE E - PROFIT-SHARING PLAN

Employees of the Company may participate in a profit-sharing plan, which is intended to qualify under Section 401(k) of the Internal Revenue Code. The plan covers substantially all of the Company's employees who meet certain eligibility requirements. Matching contributions by the Company to the plan can be made at the discretion of the Board of Directors. In addition, the plan has a profit-sharing feature, contributions to which are also at the discretion of the Board of Directors.

NOTE F - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2017, the Company had net capital of \$157,242 which was \$107,242 in excess of its required net capital. The Company's net capital ratio was 0.35 to 1 as of December 31, 2017.

NOTE G - OFF BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

As a nonclearing broker, the Company has its customers' transactions cleared through another broker/dealer pursuant to a clearance agreement. Nonperformance by its customers in fulfilling their contractual obligations pursuant to securities transactions with the clearing broker may expose the Company to risk and potential loss.

At times, the Company may maintain a cash balance with a bank in excess of the FDIC insurance limit.

**Notes to Financial Statement
December 31, 2017**

NOTE H - RELATED PARTY TRANSACTIONS

The total amount receivable from S&D at December 31, 2017 is \$156,598. Effective December 2013, S&D executed a promissory note with the Company to repay the amount owed in monthly installments of \$500 of principal and interest, with the remaining balance due in a balloon payment on September 1, 2023. The note receivable accrues interest of 1% per year and is personally guaranteed by the members of S&D.

NOTE I - INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due, if any, plus deferred income taxes which include the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. Accounting principles generally accepted in the United States of America allow the recognition of deferred tax assets related to the anticipated benefit of net operating loss carryforwards, subject to certain valuation allowance adjustments.

As of December 31, 2017, the Company has approximately \$717,410 of federal net operating losses and approximately \$607,427 of state net operating losses available for carryforward to future years. The carryforwards begin to expire at various dates through December 31, 2024.

A deferred tax asset of \$190,919 as of December 31, 2017 has been recorded to include the tax effect of the federal and state net operating loss carryforwards for tax and financial accounting purposes. A valuation allowance of \$190,919 has also been recorded in connection with this asset as the Company is uncertain as to the realization of any of the tax asset.

The deferred tax asset in the accompanying statement of financial condition consists of the following components as of December 31, 2017:

Net operating loss carry forwards	\$ 190,919
Valuation allowance	\$(190,919)